

Message Text

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R 180304Z MAY 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9236

INFO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: BEXP, AFSP, JA

SUBJECT: COUNTRY COMMERCIAL PROGRAM (CCP) FY 1978 PRELIMINARY INPUT

REF: STATE 054879

1. FOLLOWING IS EMBASSY PROPOSED FY 1978 CCP. CAMPAIGNS ARE LISTED IN ORDER OF PRIORITY, HENCE CAMPAIGN AND PRIORITY RANKING NUMBERS ARE THE SAME:

1. 1. INCREASE THE MARKET SHARE OF US CONSUMER PRODUCTS: JAPAN IS WORLD'S SECOND LARGEST CONSUMER ECONOMY. SOME ANALYSTS PREDICT PER CAPITA INCOME WILL SURPASS THAT OF UNITED STATES WITHIN TEN YEARS. WITH REMOVAL OF MANY JAPANESE TRADE BARRIERS AND THE INCREASED PRICE COMPETITIVENESS OF MANY AMERICAN PRODUCTS, "MADE-IN-USA" PRODUCTS PLAY AN EVER-INCREASING ROLE IN DAILY LIVES OF MOST JAPANESE. DURING BICENTENNIAL YEAR FORTY DEPARTMENT STORE COMPANIES SCHEDULED IN-STORE PROMOTIONS VS FOUR SUCH PROMOTIONS THE PREVIOUS YEAR; WE HOPE TO BUILD ON THIS BASE TO CONTINUE EXPANDING SALES OF U.S. CONSUMER PRODUCTS. RECOMMENDS USTC SHOW ON OUTDOOR LIFE.

1.2 EXPAND SALES OF U.S. COMPUTERS AND RELATED

EQUIPMENT: JAPANESE COMPUTER INDUSTRY HAS REACHED MATURITY AND JAPAN IS NOW SECOND LARGEST MARKET FOR COMPUTERS IN WORLD. COMPUTER INSTALLATIONS PER CAPITA (EXCLUDING MICRO PROCESSORS) ARE ALMOST UNCLASSIFIED

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EQUAL IN NUMBERS TO THE U.S. MARKET. WITH MATURATION OF

THE MARKET AND AN INCREASING TEMPO IN THE ECONOMY
COMPUTER SALES ARE EXPECTED TO ACCELERATE EVEN FASTER
THAN IN PREVIOUS YEARS. FOREIGN PRODUCERS NOW HAVE
SLIGHTLY LESS THAN HALF THE MARKET SHARE. THEY WILL
HAVE TO INCREASE SALES EFFORTS IN THE FACE OF
INCREASINGLY SOPHISTICATED JAPANESE EQUIPMENT NOW
ENTERING THE MARKET.

1.3 INCREASE THE MARKET SHARE OF U.S. MANUFACTURERS
OF WATER PURIFICATION AND POLLUTION CONTROL EQUIPMENT:
LATEST GOVERNMENT FIGURES INDICATE SPENDING BY JAPANESE
INDUSTRY FOR POLLUTION CONTROL EQUIPMENT AND INSTRU-
MENTATION FELL SLIGHTLY DURING JFY 76. ADDITIONALLY
SUCH SPENDING AS PERCENTAGE OF OVERALL CAPITAL SPENDING
ALSO FELL SLIGHTLY. BOTH DECLINES WERE ATTRIBUTED
TO PRESENT RECESSION. EVEN SO, EMBASSY BELIEVES LONGER
RANGE PROSPECTS FOR POLLUTION CONTROL EQUIPMENT
REMAIN BRIGHT. CAPITAL SPENDING IS PREDICTED TO RISE
AS ECONOMY CONTINUES RECOVERY, AND EFFORTS BY INDUSTRY.
TO COMPLY WITH STRICT ANTI-POLLUTION LAWS AND
REGULATIONS WILL ENSURE SPENDING FOR ANTI-POLLUTION
PURPOSES AS PERCENTAGE OF OVERALL CAPITAL INVESTMENT
WILL REMAIN HIGH.

1.4 ASSIST U.S. SUPPLIERS TO INCREASE THEIR SHARE
OF THE MARKET FOR ADVANCED SCIENTIFIC/
LABORATORY/PROCESS CONTROL INSTRUMENTATION: U.S.-
MADE PRODUCTS DOMINATE JAPANESE IMPORTS OF ADVANCED
SCIENTIFIC AND LABORATORY EQUIPMENT AS WELL AS OF
PROCESS CONTROL INSTRUMENTATION. DURING CAMPAIGN
YEAR, THE MISSION WILL UNDERTAKE SPECIAL EFFORTS TO
ASSIST NEW U.S. FIRMS TO ENTER THE MARKET AND TO
DISSEMINATE INFORMATION ON THE NEW TECHNOLOGICAL
DEVELOPMENTS BEING MADE BY U.S. INDUSTRY IN THIS
FIELD. RECOMMEND USFC SHOW IN PROCESS CONTROL
INSTRUMENTS.

1.5 FURTHER STRENGTHEN MARKET SHARE OF U.S. ELECTRONIC
PRODUCTION AND TEST EQUIPMENT: RECENT REPORTS FROM
JAPANESE ELECTRONICS INDUSTRY INDICATE THAT
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BOTH CAPITAL AND CONSUMER ELECTRONICS INDUSTRY WILL
CONTINUE TO BE AMONG THE MAJOR INDUSTRIES IN JAPAN.
JAPANESE LABOR COSTS, HOWEVER, HAVE CONTINUED TO
INCREASE AND IN SOME PARTS OF THE ELECTRONICS
INDUSTRY HAVE REACHED THE LEVEL OF U.S. WAGES. U.S.
MANUFACTURERS NOW HAVE A STRONG POSITION IN THE
SUPPLY OF PRODUCTION AND TEST EQUIPMENT.

1.6 ASSIST U.S. SUPPLIERS TO INCREASE THEIR SHARE OF THE MARKET FOR BIOMEDICAL EQUIPMENT: THIS PRODUCT CATEGORY IS SCHEDULED FOR EXTENSIVE PROMOTION BY THE DEPARTMENT OF COMMERCE IN FY 1978. IN 1974 TOTAL MARKET DEMAND FOR BIOMEDICAL EQUIPMENT IN JAPAN WAS ABOUT DOLS 200 MILLION AND IS GROWING ANNUALLY AT A RATE OF ABOUT 15-20 PERCENT. IMPORTS REPRESENT 10 PERCENT OF MARKET WITH U.S. SUPPLYING ABOUT ONE-THIRD OF TOTAL IMPORTS. U.S. BIOMEDICAL EQUIPMENT IS WELL REGARDED IN JAPAN, BUT FACES INCREASINGLY STIFF COMPETITION FROM DOMESTIC AND EUROPEAN SUPPLIERS. RECOMMEND USTC SHOW ON PHYSICAL THERAPY PRODUCTS.

1.7 INCREASE THE SALES OF U.S. MADE PRINTING AND GRAPHIC ARTS EQUIPMENT: THIS PRODUCT CATEGORY IS A TARGET INDUSTRY SCHEDULED FOR INTENSIVE PROMOTION DURING FY 1978. THE SEVERE RECESSION OF 1974-75. CAUSED A LARGE DECREASE IN CAPITAL INVESTMENT IN JAPAN'S GOVERNMENT-SPONSORED PROGRAM TO MODERNIZE THIS INDUSTRY THIS PROGRAM, SCHEDULED TO TERMINATE IN 1977, HAS FALLEN SHORT OF ITS GOALS, AND THUS IS EXPECTED TO BE

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CONTINUED FOR A FEW MORE YEARS. AMERICAN EQUIPMENT IN THIS FIELD HAS A GOOD REPTATION AND IS INCREASING ITS SHARE OF MARKET AT EXPENSE OF WESTERNHEUROPEAN PRODUCTS. RECOMMEND PARTICIPATION IN INERNATIONAL GRAPHIC ARTS SHOW SCHEDULED TO BE HELD HARUMI EXHIBITION CENTER INEITHER JUNE OR SEPTEMBER 1978.

1.8 EXPAND THE DIFFUSION OF U.S. BUILDING SYSTEMS, EQUIPMENT, AND MATERIALS: THIS PRODUCT CATEGORY IS

TARGET INDUSTRY SCHEDULED FOR PRIMARY PROMOTION DURING FY 1978. JAPAN'S MINISTRY OF CONSTRUCTION (MOC) HAS SET A TARGET OF BUILDING 8.6 MILLION HOUSING UNITS IN 1976-80, A FOUR PERCENT INCREASE OVER ITS 1971-75 GOAL. IN EFFORT TO LOWER JAPAN'S UNREASONABLY HIGH HOME CONSTRUCTION COSTS MOC AND MITI HAVE JOINTLY BEGUN A "HOUSE 55" (SHOWA 55 OR 1978) PROJECT TO DEVELOP A PRE-FABRICATED 100 SQUARE METER HOUSE WITH CENTRAL-HEATING AT YEN 5 MILLION (ABOUT DOLS 17,000) SELLING PRICE (EXCLUDING LAND). THIS HOUSE IS EXPECTED TO BE IN MASS PRODUCTION BY 1980. INDUSTRY SPECIALISTS CONSIDER MANY U.S. PRE-FAB SYSTEMS AND STICK-BUILT 2 X 4 HOME DESIGNS TO BE PRICE-COMPETITIVE WITH "HOUSE 55." INTEREST IN U.S. TECHNOLOGY AND EQUIPMENT SHOULD INCREASE AS GOVERNMENT INITIATIVE FORCES PRIVATE INDUSTRY TO FOCUS ON REDUCING COSTS.

1.9 EXPAND U.S. EXPORTS OF OCEANOGRAPHIC/OFFSHORE MINERAL EXPLORATION EQUIPMENT: SINCE 1973 OIL CRISIS PARTICULAR INTEREST IN JAPAN IS BEING DIRECTED TOWARD UNCLASSIFIED

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OFFSHORE NATURAL RESOURCE EXPLORATION. PROJECTS FOR BUILDING OFFSHORE STRUCTURES FOR MINERAL EXPLORATION, ENERGY GENERATION, AND WASTE DISPOSAL ARE PLANNED. THE JAPANESE WILL SEEK LATEST TECHNOLOGY IN THESE AREAS. JAPANESE BUDGET IN JFY 1975 ALLOTTED DOLS 84.3 MILLION FOR OCEAN RESEARCH AND DEVELOPMENT. THE AMOUNT ALLOCATED IN THE JFY 76 BUDGET, WHEN PASSED, WILL PROBABLY BE HIGHER. IT HAS BEEN ESTIMATED THAT IMPORT MARKET FOR OCEAN/MARINE INSTRUMENTATION IN JAPAN BY 1978 WILL AMOUNT TO APPROXIMATELY DOLS 22 MILLION WITH THE U.S. PROVIDING THREE-FOURTHS THIS TOTAL.

2. PROPOSED PERSONNEL RESOURCES (WORK-DAYS): CAMPAIGNS, FSO/R-680, FSL/P-1,410; NON-CAMPAIGN FSO/R - 2,975, FSL/P - 4,610; CLERICAL, CAMPAIGN - 650; NON-CAMPAIGN - 1,075.

3. FINANCIAL RESOURCES (DOLLARS): CAMPAIGNS, TRAVEL - 3,300, REPRESENTATION - 2,200, CONTRACT SERVICES - 550, MISC. - 850; NON-CAMPAIGN, TRAVEL - 5,700, REPRESENTATION, - 8,050, CONTRACT SERVICES - 19,400 INCL (A) PUBLICATIONS AT 4,500 (B) BUSINESS INFORMATION CENTER TOKYO AT 6,300; FUKUOKA AT 2,000 (C) AMDO AT 6,500; MISC. - 22,100 INCL. NEWSLETTER AT 17,000. HODGSON

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